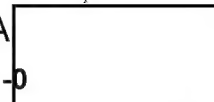


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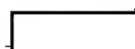
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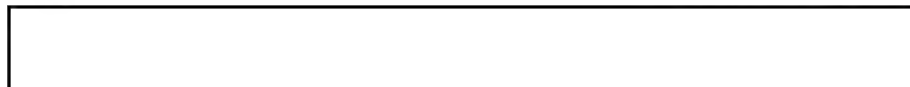
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SUMMARY

25X1

NEAR EAST

9. Oil company suspends monthly payments to Iran (page 7).
10. UK Foreign Secretary displays frustration over Iranian oil question (page 10).

WESTERN EUROPE

11. Comment on Austrian presidential election (page 8).
12. French Communists plan to gain full control of railway unions (page 9).

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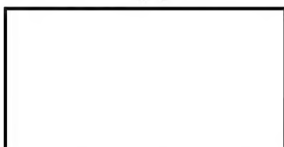
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NEAR EAST

9. Oil company suspends monthly payments to Iran:

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A senior Foreign Office official has informed US Embassy London that the Anglo-Iranian Oil Company (AIOC) has withheld its current monthly advance of 2 million pounds on royalties promised Iran under a special AIOC agreement with ex-Prime Minister Razmara. The Foreign Office representative denied any intention to apply pressure on Iran at present, asserting that the oil company's action was necessitated simply by the Iranian Finance Minister's insistence on considering the company's recent agreement with Razmara as not binding and all payments made under it as merely in settlement of past Iranian claims against the company.

Comment: In February the AIOC agreed to give the Razmara government an additional advance of 2 million pounds a month for the balance of 1951. While the Finance Minister's action is not surprising in view of the current chauvinism in Iran, it does not take into account Iran's current economic difficulties, which include a serious trade stagnation and a current government budgetary deficit amounting to some 30 million dollars. The Iranian Government seems to expect that the nationalization of the company will immediately bring in sufficient revenue to solve its economic dilemma.

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10. UK Foreign Secretary displays frustration over Iranian oil question: *UK
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UK Foreign Secretary Morrison described himself in a frank 4 May conversation with US Ambassador Gifford about the Iranian situation as feeling caught between an American effort to "order me about" and the UK's inability to come to grips with the Iranians on the oil question. Morrison reviewed British approaches to former Prime Ministers Razmara and Ala. The first of these approaches he saw as thwarted by assassination and the second by Ala's failure to present the British proposals to the Majlis. He said that attempts are now being made to deal with Prime Minister Mossadeq, a "moderate spirit," but hinted at the possibility of economic and "even some military" retaliation. Ambassador Gifford doubts that either the Foreign Secretary or the rest of the Foreign Office has grasped the US contention that, if for no other reason than to help the Iranians save face, it is tactically important to give "unequivocal lip service" to nationalization.

Comment: A day earlier a senior Foreign Office representative indicated to the US that the UK was at this stage trying mainly to correct the misconceptions of Mossadeq, whom the British Ambassador to Iran had found "ludicrously misinformed" about "matters of fact" concerning the Anglo-Iranian Oil Company's operations. Both the Foreign Secretary's discussion of British attempts to negotiate with Mossadeq's predecessors and the comments of Foreign Office officials underscore the fact that the British have failed to comprehend the extent to which the oil problem is now an emotional and not an economic issue in Iran.

WESTERN EUROPE *SECRET*

11. Comment on Austrian presidential election:

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The returns in Austria's presidential election on 6 May indicate a small decrease in popular support for the coalition government--which is composed of the People's Party and the Socialist Party.

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Rightist candidate Breitner, who had the backing of the League of the Independents, captured over 15 percent of the vote, largely at the expense of the Catholic conservative People's Party, whereas the League received only 12 percent in the last national elections in 1949.

Comment: Although Breitner's following undoubtedly includes many ex-Nazis, Breitner himself did not campaign on anything resembling a Nazi or even a pan-German platform. A good percentage of his followers were probably independent voters unwilling to cast a ballot for either of the coalition parties.

FRANCE

12. French Communists plan to gain full control of railway unions:

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The Communist-led General Labor Confederation has publicized a plan to obtain unity of action agreements among all local railway unions, which, according to a spokesman for the Socialist-oriented Force Ouvriere, would lead to a national unification congress and a merger of the "top levels" of the three major unions. The local agreements are to have "annexes" providing for joint committees dominated by the General Labor Confederation and stipulating that no strike can be terminated at the order of a national union without the approval of a "general assembly" of the local unions, the method by which the Communists in 1934-35 successfully forced national unification of railway labor under their control. According to the US Embassy in Paris, the unity of action movement has gained strength since the early 1951 strikes and a recent French Communist Party central committee meeting has ordered a vigorous campaign supporting this trend.

Comment: Local railway union elections in early April gave the General Labor Confederation two-thirds of the plant committee representatives named; hence this report portends a dangerous Communist drive for complete control of a critical sector of the economy. The continuing inflation can be expected to aid the Communist plan, but no nation-wide rail strike is likely to be attempted by the General Labor Confederation for some months, pending fruition of its elaborate plan and the election of a new National Assembly.

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